

# PERSI INVESTMENT REPORT

Month to Date Report

September 24, 2006

CURRENT VALUE OF THE FUND	\$	9,961,864,114
FISCAL YEAR CHANGE IN MARKET VALUE	\$	370,136,411
FISCAL YEAR TO DATE RETURNS		3.8%
MONTH TO DATE RETURNS		0.5%

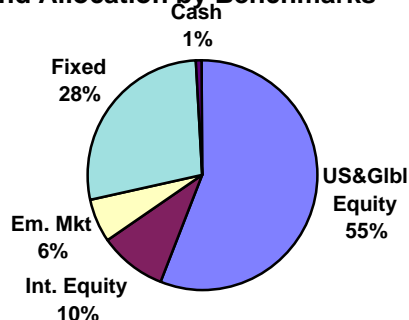
## Month Returns

## Fiscal Year Returns

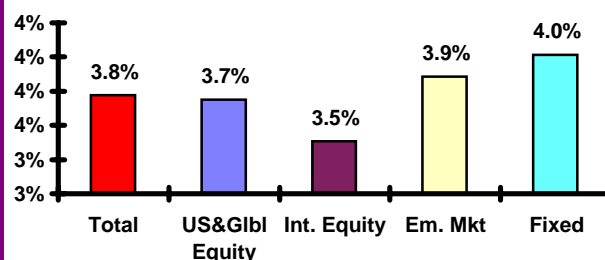
## Five Year Returns

<b>Total Fund</b>	<b>0.5%</b>	<b>Total Fund</b>	<b>3.8%</b>	<b>Total Fund</b>	<b>10.2%</b>
55-15-30 Policy	0.5%	55-15-30 Policy	3.3%	55-15-30 Policy	8.2%
<b>U.S Equity</b>	<b>1.0%</b>	<b>U.S Equity</b>	<b>3.6%</b>	<b>U.S Equity</b>	<b>8.8%</b>
R3000	0.7%	R3000	3.1%	R3000	7.8%
<b>Global Equity</b>	<b>0.0%</b>	<b>Global Equity</b>	<b>4.1%</b>	<b>Global Equity</b>	<b>13.7%</b>
MSCI World	-0.3%	MSCI World	3.0%	MSCI World	10.2%
<b>Foreign Equity</b>	<b>-0.7%</b>	<b>Foreign Equity</b>	<b>3.5%</b>	<b>Foreign Equity</b>	<b>16.2%</b>
MSCI EAFE	-1.1%	MSCI EAFE	2.7%	MSCI EAFE	14.4%
<b>Fixed Income</b>	<b>0.7%</b>	<b>Fixed Income</b>	<b>4.0%</b>	<b>Fixed Income</b>	<b>5.8%</b>
Leh Agg	0.9%	Leh Agg	3.9%	Leh Agg	4.8%

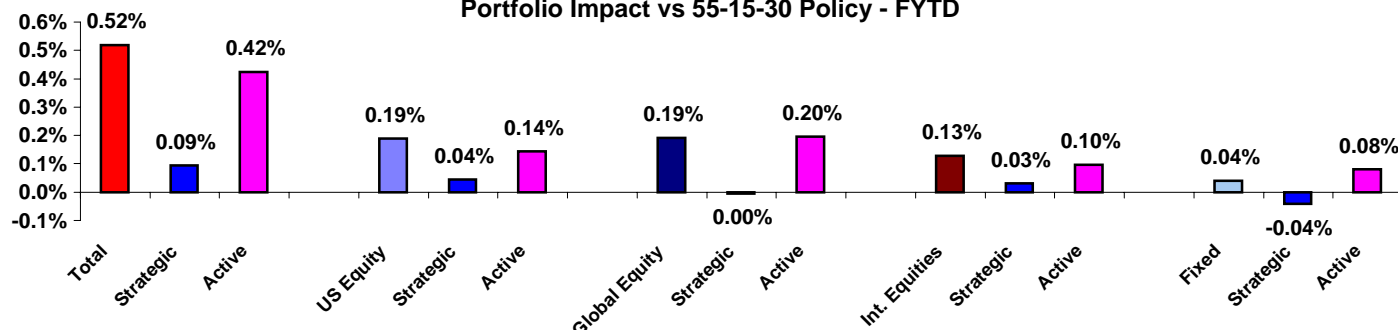
Fund Allocation by Benchmarks



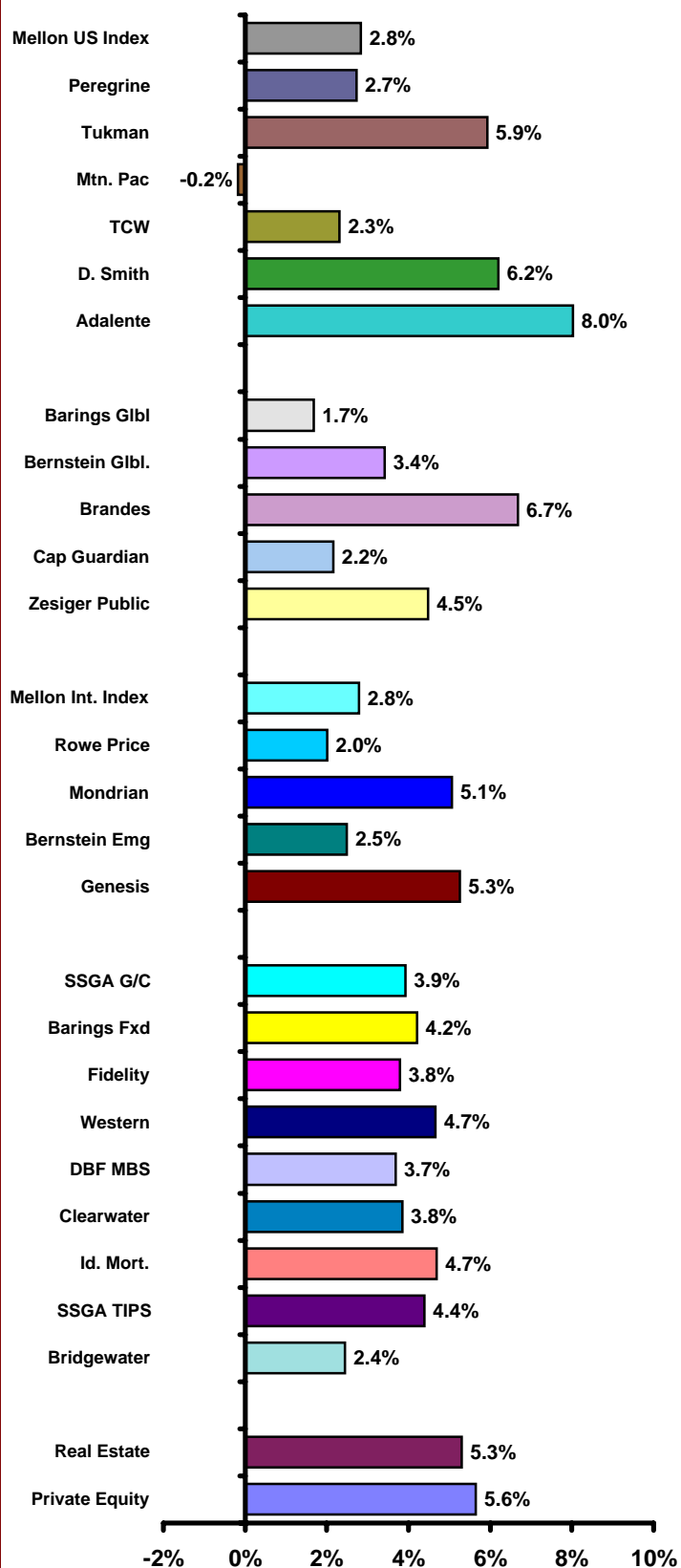
Fiscal Year To Date - Total Returns



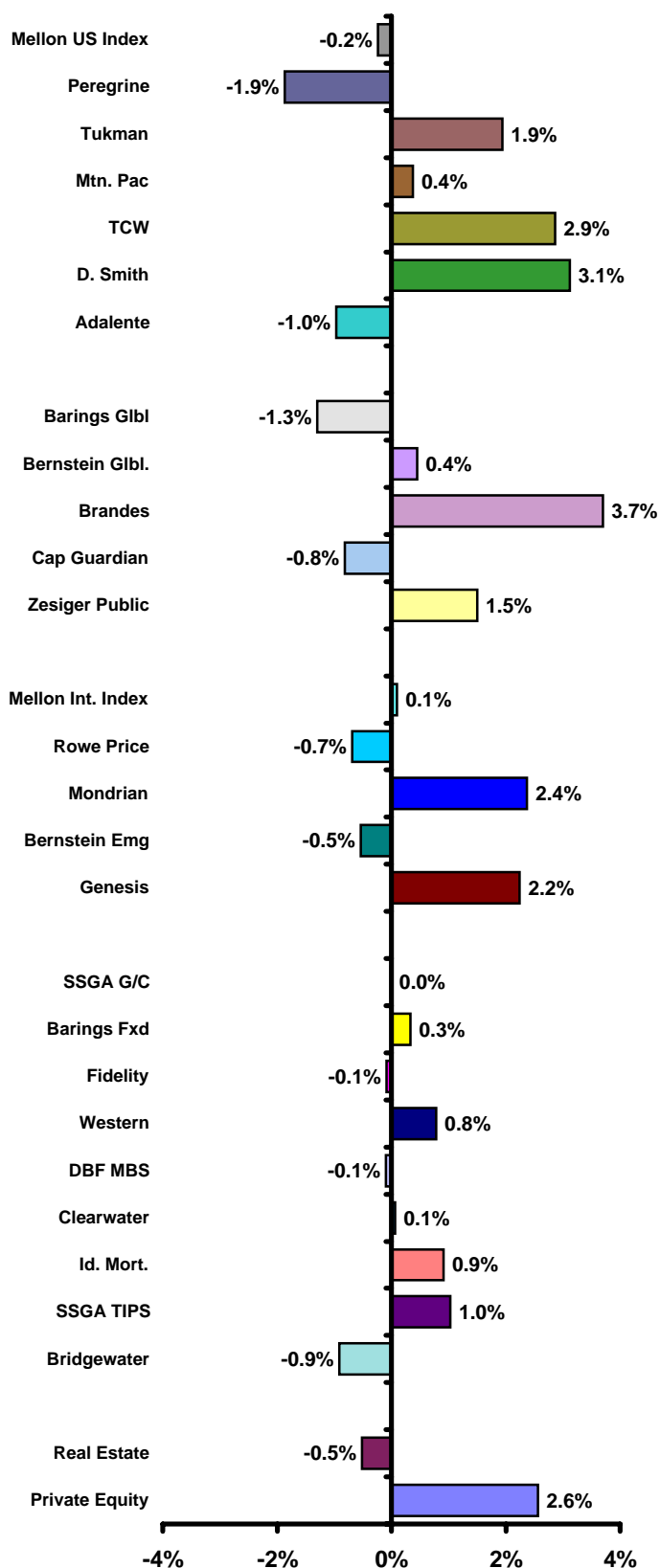
Portfolio Impact vs 55-15-30 Policy - FYTD



Fiscal Year to Date Returns



FYTD Returns vs. Benchmarks

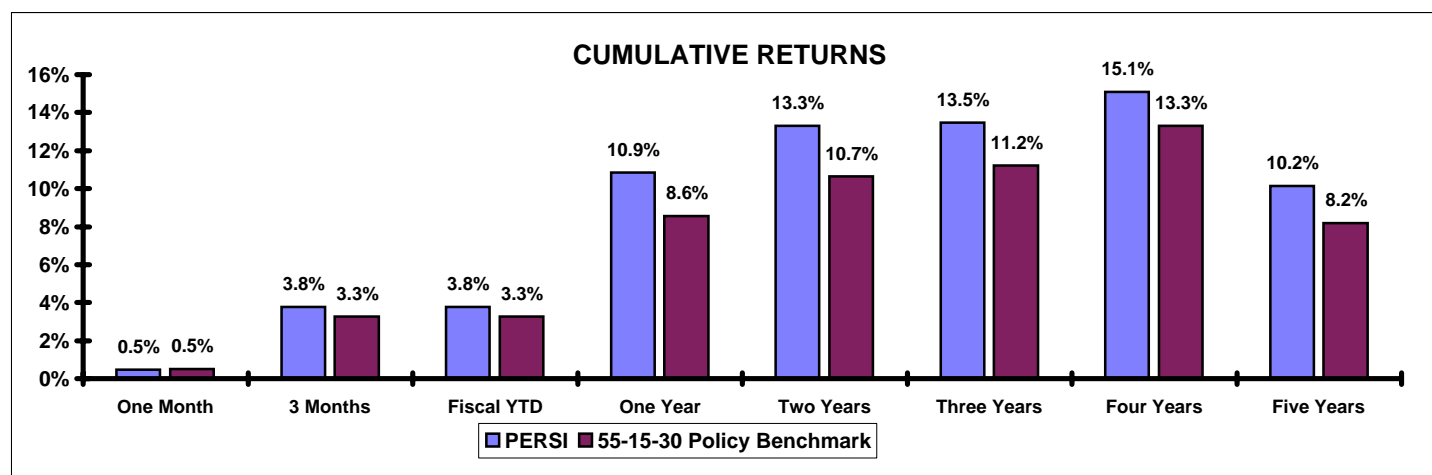
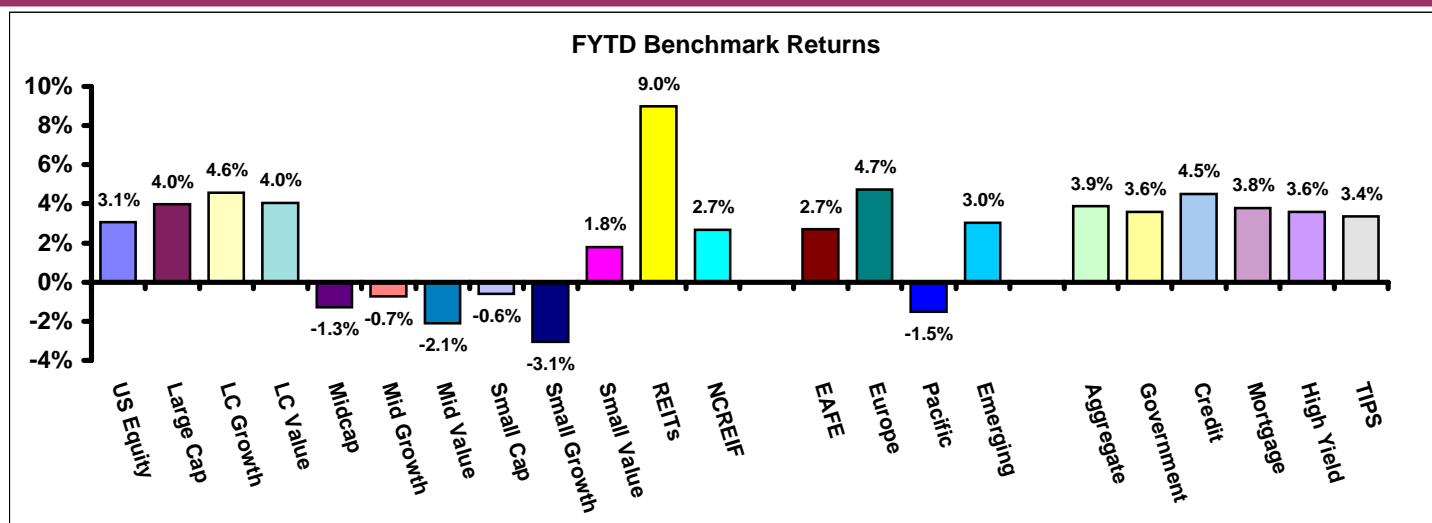


### CIO Comment

Some nervousness about the dangers of inflation, possible Fed action, and declining growth (and earnings) have re-entered the market this month, but overall the US equity markets are up, the international markets are down, and bonds are positive. The fund is up 0.5% for the month, and is up 3.8% for the first few months of the new fiscal year, at \$9.96 billion. Mid and Small Cap US stocks have had the roughest ride for the fiscal year to date, with REITS, large cap US stocks, and bonds being the leading performers.

Adalente, Donald Smith, Brandes, and Tukman are the leading performers in absolute returns. Brandes, TCW, and Donald Smith are the leading performers against benchmark for the fiscal year to date. Peregrine is struggling out of the gate (although they are doing very well this month).

The first three months of the new fiscal year also have seen PERSI ahead of the strategic benchmark by 0.52%, with active management, for the first time in memory, significantly outperforming the strategic bets in aiding outperformance. With the underperformance of small cap stocks and the outperformance of large cap, and particularly large cap growth, stocks, there is the first faint indication of some change in market dynamics. This is most apparent in the good absolute and relative performance of the Tukman and TCW domestic portfolios. With the early outperformance of the S&P 500 over mid and small cap stocks by around 6%, the portfolio outperformance of the strategic benchmark is a faint, but hopeful, sign. The stunning start for REITs is the most unexpected portion of the market performance.



	Current Month	One Year	Three Years		%
<b>TOTAL FUND</b>	<b>0.5%</b>	<b>10.9%</b>	<b>13.5%</b>	\$ 9,961,864,114	
<b>US EQUITY</b>	<b>1.0%</b>	<b>11.6%</b>	<b>14.3%</b>	\$ 3,599,641,370	<b>36.1%</b>
Mellon R3000	0.7%	8.1%	12.2%	\$ 1,633,483,456	16.4%
Peregrine	2.3%	0.6%		\$ 167,623,839	1.7%
Tukman	1.5%	9.5%	5.7%	\$ 267,370,167	2.7%
Mtn. Pac.	1.4%	9.9%	13.5%	\$ 301,718,681	3.0%
TCW	0.9%	11.0%		\$ 183,139,219	1.8%
D. Smith	1.6%	21.2%		\$ 222,848,951	2.2%
Adelante REIT	1.6%	30.4%	30.2%	\$ 319,814,416	3.2%
Real Estate Total	1.0%	22.9%	25.4%	\$ 528,521,590	5.3%
Private Equity	1.3%	18.7%	24.8%	\$ 333,936,255	3.4%
<b>GLOBAL EQUITY</b>	<b>0.0%</b>	<b>15.7%</b>	<b>18.0%</b>	\$ 1,949,557,410	<b>19.6%</b>
Barings	-0.4%	9.7%	14.1%	\$ 290,687,145	2.9%
Bernstein	-0.4%	18.7%		\$ 296,522,162	3.0%
Brandes	1.1%	15.3%	20.8%	\$ 479,466,682	4.8%
Cap Guardian	-1.0%	12.6%	15.5%	\$ 371,508,940	3.7%
Zesiger Public	0.0%	21.7%	18.3%	\$ 425,611,496	4.3%
Zesiger Total	0.1%	21.7%	17.9%	\$ 437,051,460	4.4%
<b>INT. EQUITY</b>	<b>-0.7%</b>	<b>16.7%</b>	<b>23.3%</b>	\$ 1,566,832,916	<b>15.7%</b>
Mellon EAFE	-1.0%	17.6%	21.5%	\$ 380,991,313	3.8%
Rowe Price	-1.2%	12.9%	18.1%	\$ 280,345,931	2.8%
Mondrian	-0.4%	17.7%		\$ 305,708,701	3.1%
Bernstein Emg	-0.8%	16.0%		\$ 292,820,825	2.9%
Genesis	0.0%	19.2%	33.3%	\$ 306,725,001	3.1%
<b>FIXED INCOME</b>	<b>0.7%</b>	<b>3.3%</b>	<b>4.2%</b>	\$ 2,769,607,699	<b>27.8%</b>
SSGA Gov/Credit	1.0%	3.4%	3.1%	\$ 647,283,617	6.5%
Barings	0.8%	3.0%	4.2%	\$ 221,405,147	2.2%
Fidelity	0.9%	4.5%		\$ 211,665,150	2.1%
Western	0.9%	4.4%		\$ 213,192,975	2.1%
DBF MBS	0.9%	4.4%	3.6%	\$ 152,471,262	1.5%
Clearwater	1.0%	4.3%	4.1%	\$ 159,104,520	1.6%
Idaho Mort	1.3%	4.5%	3.1%	\$ 292,283,510	2.9%
Bridgewater	0.2%	2.5%		\$ 263,477,608	2.6%
SSGA TIPS	0.0%	1.5%	5.5%	\$ 608,723,908	6.1%
Cash and Other				\$ 76,224,719	0.8%

